



PROJECT PROCUREMENT MANAGEMENT

INTRODUCTION

WHAT DOES THE PROCUREMENT KNOWLEDGE AREA DO?

- Purchases or acquires products, services or results needed to perform project work (internal or external to the performing organization)
- PMI uses the terms Buyer & Seller very often. Buyer is normally the performing organization. Sellers can be Contractors, Sub-contractors, Service providers, Suppliers/Vendors.
- Buyer can also be clients, customers, contractors, or purchasers.
- It is important to understand the situation/context and accordingly interpret – who is a Buyer or Seller.
- A Seller may consider delivering you their project (which may be a subproject to you).
- If required, seek early assistance from Specialists in contracting, purchasing within the legal framework (so as to be fair to both).

PROJECT PROCUREMENT MANAGEMENT

Contracts

- Contracts are formal. Also named as Agreements, Subcontracts, or Purchase orders. Letters of intent are not considered as Contract.
- Contract is defined as an agreement between competent parties, for valid (effective, well-grounded, logical and producing desired results) consideration, to accomplish a lawful purpose with clearly defined terms.
- Contracts are a method of transferring risk for a fee (a strategy used in Risk Response Planning).
- If internal to the Project Team's organization, a non-contractual formal agreement is prepared in form of an MOU (with other departments).
- PM team should prepare a tailor-made contract based on specific project needs.
- PM must know the contents of the contract & the purpose.



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PROCUREMENT PROCESS DEFINITIONS

12.1 Plan Procurements

- Make a *Procurement Management Plan*: that defines What, When & How to buy goods and services for the Project. Then, prepare a SOW defining the purchase needs.

12.2 Conduct Procurements

- Document the requirements (for products, services & results from outside the project organization)
- Identify potential Sellers

PROCUREMENT PROCESSES

12.3 Control Procurements

- Obtain Information, Quotes, Bids, Offers or Proposals
- Review the Offers; Select the best out of the potential Sellers; negotiate a written Contract.
- Manage the Contract & contract changes; the relationships between Buyer and Seller.
- Review & document the Seller performance.
- Manage contractual relationship with outside Buyer of the Project.

12.4 Close Procurements

- Complete & settle each contract
- See the Process flow diagram in page 359.